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INFO RUEHBO/AMEMBASSY BOGOTA IMMEDIATE 6637
RUEHPE/AMEMBASSY LIMA IMMEDIATE 1643
RUEHLP/AMEMBASSY LA PAZ MAY 0581
RUEHBR/AMEMBASSY BRASILIA IMMEDIATE 3746
RUEHCV/AMEMBASSY CARACAS IMMEDIATE 2538
RUEHZP/AMEMBASSY PANAMA IMMEDIATE 0698
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SUBJECT: AMBASSADOR AND FORMIN CLEAR THE AIR; PREPARE FOR D VISIT

Classified By: PolOff Jarahn Hillsman, Reasons 1.4 (b&d)

11. (C) Summary: The Ambassador met with Foreign Minister Maria Espinosa on May 8 to discuss the Deputy Secretary's May 9 visit, probe the ForMin on her harsh comments about the Bilateral Investment Treaty (BIT), and to clarify the USG position on the 2007 UNITAS move. She expressed USG hope that the GOE would not cancel the June 2007 Peacekeeping South (PKO South) exercise to take place in Ecuador, as vaguely rumored. Espinosa lamented the USG decision to move the 2007 UNITAS without "sufficient" consultation, and handed the Ambassador a protest note. She indicated that the subject would not dominate the D meeting with President Correa and might not be raised at all. She said that Ecuador would not cancel PKO South. Her comments and additional details on the BIT issue will be reported septel. End Summary.

BACKGROUND: GOE UPSET OVER UNITAS CANCELLATION; LASHES OUT AT USG

12. (C) Ecuador was selected by U.S. Southern Command to host the 2007 UNITAS Pacific multinational naval exercise. Planning for the 2007 UNITAS was initiated in December 2006 in Ecuador. However, the GOE immediately demanded that the UNITAS Memorandum of Understanding (MOU) include language requiring participating navies to report when entering Ecuador's 200 nautical mile sea claim, forcing a de facto recognition of its excessive territorial sea claim and reaffirming its southern maritime limit with Peru (a sensitive issue given previous Peru-Ecuador conflict on boundary issues and Peru's ongoing territorial waters dispute with Chile).

13. (C) USG military officials tried unsuccessfully to encourage the Ecuadorian Navy to accept the 2004 model of creating an exercise box that exceeded any and all claimed territorial limits, thus avoiding potential controversy. After six months of stalled negotiations and clear warnings that time was running out, Ecuador was notified by the U.S. Southern Command that UNITAS would be moved to another country.

14. (U) The Foreign Ministry initially seemed caught off guard, apparently believing that our position had been more posturing than firm. They made the political choice to respond with a counter-attack, with the ForMin decrying our

"indelicate" decision made "without any consultation." Correa echoed the same line on May 5, during his weekly radio address, lamenting the "unilateral" decision by the U.S. to move the 2007 UNITAS exercise from Ecuador. He claimed that the GOE had been discussing ways to achieve the protocol salute upon entering (Ecuadorian) waters, when, "to our surprise, U.S. Southern Command changed the venue without consulting us." The SOUTHCOM commander apparently thinks we are a colony, Correa proclaimed. The press reported on May 7 that Foreign Minister Espinosa would deliver a diplomatic note in protest of the UNITAS move to Deputy Secretary in their May 9 meeting.

AMBASSADOR RECOUNTS UNITAS IMPASSE

15. (C) The Ambassador stressed the importance of having a positive meeting with the Deputy Secretary, and discouraged Espinosa from raising the UNITAS issue. She explained the USG's position that had offered an approach that should have worked for all parties, and lamented Ecuador's insistence on unacceptable language. After months of stalled negotiations and no signs of flexibility, the clock had run out and the exercise was moved, with due final warning having been given Ecuador prior to the announcement.

16. (C) Espinosa passed the Ambassador the diplomatic note in protest of the exercise shift (text noted below) and indicated it would not dominate the D meeting with President Correa, perhaps not being raised at all. She said that Ecuador had been "working" on a solution with Peru, and was hopeful that a final agreement could have been reached at the final planning conference. Espinosa expressed GOE belief that the U.S. should have notified Ecuador of the looming shift. The Ambassador again explained that the GOE was warned of the possible move on April 4 and notified of cancellation on April 23.

17. (C) Moving on to other issues, the Ambassador expressed USG hope that the GOE would not cancel the 2007 Peacekeeping South (PKO South) exercise to be held in Ecuador in the wake of the ill will over UNITAS, as an unattributed press report had indicated might be under consideration. She also stressed the need to begin early on discussions for the 2008 Forces Commandos exercises also to be held in Ecuador. Espinosa said that the GOE would not cancel PKO South, and agreed that early top-level planning would be useful for future exercises. Full background on both exercises were left with the Minister.

18. (SBU) Text of Diplomatic Note Follows:

Begin text: The Ministry of Foreign Affairs communicates its displeasure and the surprise of the Government of Ecuador over the unilateral decision to move the 2007 UNITAS naval exercises scheduled for Ecuador, supposedly over protocols calling for reporting the position of vessels of the multinational forces.

Said protocols, like organizational aspects derived from the responsibilities of the Ecuadorian Navy as host of the 2007 UNITAS, constitute themes that should be agreed upon by delegations of the nations participating in the Final Planning Conference.

For these reasons, the Ministry of Foreign Affairs communicates the decision of the Government of Ecuador not to participate in the 2007 UNITAS exercises, requests an explication, and expresses its discontent for the manner in which the change of the 2007 UNITAS was conducted. End Text.

COMMENT

19. (C) The GOE remained inflexible on the MOU language throughout the five months of negotiations, clearly intent on using the 2007 UNITAS MOU to force Peru to recognize its maritime limit with Ecuador. GOE officials unwisely bet on U.S. intervention to force an agreement with Peru, apparently

not seriously heeding warnings that the U.S. would move the exercise if agreement could not be reached. The GOE mismanagement of the issue is also symptomatic of poor communication between and within GOE ministries on issues. While Ecuador is making hay publicly speaking of protecting national sovereignty, privately officials are signaling a desire not to let the UNITAS issue impact broader bilateral relations. We will respond to the note with the chronology of events and a restatement of the U.S. position.

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